Internship Report

on

Working Capital Management of Raiyan Apparels Limited

Submitted to

Professor Dr. Mostafa Kamal

Department of Business Administration

Faculty of Business and Entrepreneurship

Daffodil International University

Prepared by

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ID: 232-14-023

Program: MBA

Major in Finance

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Letter of Transmittal

26th December, 2024

Professor Dr. Mostafa Kamal

Department of Business Administration

Faculty of Business and Entrepreneurship

Daffodil International University

Subject: Submission of Internship Report on "Working Capital Management of Raiyan Apparels Limited".

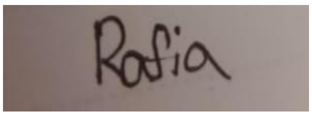
Dear Sir,

I am pleased to submit my internship report, detailing my three-month experience Raiyan Apparels Limited in the Finance & Accounts department. The title of the report is "Working Capital Management of Raiyan Apparels Limited".

This report has been prepared to fulfill the requirements of my internship program at Raiyan Apparels Limited. I have dedicated significant effort to ensure it is comprehensive and insightful. My time with the company has been both enjoyable and enlightening, providing me with valuable learning experiences that will serve me well in future endeavors.

I would like to extend my heartfelt gratitude for your guidance and suggestions in the preparation of this report. I hope you find it useful and informative, offering a clear perspective on the topic. Should you have any questions or require further clarification, please do not hesitate to reach out. I would be happy to assist you.

Sincerely yours,



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Most. Rafia Islam

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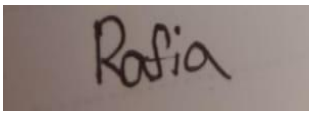
Declaration

I am Most. Rafia Islam, a student of MBA program Daffodil International University, and hereby declare that the internship report titled "Working Capital Management of Raiyan Apparels Limited" was prepared following the completion of my internship at Raiyan Apparels Limited in Uttara under the close supervision and guidance of Professor Dr. Mostafa Kamal, Department of Business Administration, Daffodil International University.

I further declare that the internship report was written only for academic purposes and was not submitted by anybody else.



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Most. Rafia Islam

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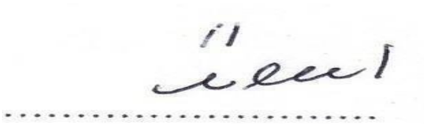
Certificate of Approval

This is to certify that **Most. Rafia Islam, ID # 232-14-023, MBA (Finance),** is a regular studentof the Department of Business Administration, Faculty of Business & Entrepreneurship, at Daffodil International University. She has successfully completed her internship report at Raiyan Apparels Limited and has prepared for this internship under my direct supervision. Her assigned internship topic is titled “Working Capital Management of Raiyan Apparels Limited”. I think that the report is worthy of fulfilling the partial requirementsof the MBA program. I also declare that the study has been prepared for academic purposes only and that this paper may not be used in an actual market scenario.

I have gone through the report and found it to be a well-written report. She has completed the report by himself. I wish her every success in life.



Professor Dr. Mostafa Kamal

Department of Business Administration

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Acknowledgement

The successful completion of this project is the result of the dedication of many individuals, especially those who have generously shared their insights and suggestions to enhance this report. First and foremost, I would like to express my deepest gratitude to Almighty Allah for granting me the strength and perseverance to complete this task within the given timeframe.

This internship report was initiated and completed by me, but I owe special thanks to Professor Dr. Mostafa Kamal, in the Department of Business Administration at Daffodil International University. His guidance and encouragement were invaluable in ensuring the success of my internship experience.

I would also like to thank my line manager, Mohammad Shah Nawaz, Deputy Manager of Finance and Accounts at Raiyan Apparels Limited, for dedicating his time and providing essential information that was crucial for the successful completion of this report.

Additionally, I am grateful to my colleagues at Raiyan Apparels Limited, who shared their insights and offered their support. Lastly, I want to acknowledge my university friends for their encouragement throughout this process. Your assistance has been greatly appreciated.

Executive Summary

This study aims to investigate the relationship between working capital management and profitability at Raiyan Apparels Limited a leading garments manufacturing company in Bangladesh. Working capital is defined as the excess of current assets over current liabilities. The focus of this paper is to analyze how the company manages its working capital through cash management, inventory periods, receivable periods, and payable periods, and how these factors impact its profitability.

This report focuses on working capital management at Raiyan Apparels Limited. Working capital management examines the relationship between a company's short-term assets and short-term liabilities. The primary objective is to ensure that the firm can maintain its operations while having enough resources to meet both maturing short-term debts and upcoming operational expenses.

Working capital management (WCM) is critical for a company's financial health, ensuring sufficient liquidity to meet short-term obligations while optimizing operational efficiency. It focuses on managing current assets—such as cash, accounts receivable, and inventory—and current liabilities like accounts payable. Key objectives include maintaining liquidity, minimizing costs, and mitigating financial risks. Effective strategies involve cash flow forecasting, inventory optimization, and establishing clear credit policies. However, companies face challenges such as economic fluctuations and supply chain disruptions. Ultimately, robust WCM is essential for sustaining growth and enhancing overall performance.

The report begins with an outline of the study's objectives and methodology, analyzing three years of data from Raiyan Apparels Limited covering the period from 2019 to 2023. Research has shown that the level of profitability related to working capital significantly influences the overall success or failure of a company. This report aims to review previous studies and connect their findings to the current analysis.

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Chapter-1

Introduction

1.1 Introduction

The Ready-Made Garment (RMG) sector is crucial for Bangladesh's economy, having established itself as a key player since 1978. Textiles and clothing account for approximately 85% of the country's total export earnings, with 75% of that coming from the apparel sector. This sector includes a wide range of products, such as knit and woven shirts, blouses, trousers, skirts, shorts, jackets, sweaters, sportswear, and various casual and fashion items.

Currently, the RMG sector employs over 1.5 million workers, predominantly women from underprivileged backgrounds. This report encompasses insights from various departments within the RMG sector, including Merchandising, Commercial, Production, Supply Chain, Human Resources, Compliance, and Management Information Systems, as well as relevant organizations like BGMEA, BKMEA, the Export Promotion Bureau, yarn suppliers, Chittagong Port, insurance companies, and shipping firms. This comprehensive approach has provided me with a deeper understanding of the RMG sector, making the knowledge gained more valuable than any textbook. The RMG sector is one of the fastest-growing export industries in Bangladesh and plays a significant role in the country's social and economic development. To foster rapid industrialization, the government has implemented an open-door policy to attract foreign investment. As a result, there are now approximately 2,500 export-oriented RMG factories operating in Bangladesh.

1.2 Background of the Study

Working capital management focuses on the efficient use of available funds, impacting cash flow, financial solvency, and growth strategies within an organization. It reflects the liquidity position of a business by managing short-term assets and liabilities. Essentially, net working capital is calculated as the difference between current assets and current liabilities. When current assets exceed current liabilities, it indicates that the company is capable of sustaining its operations and has sufficient resources to meet its short-term obligations and upcoming operational expenses.

Raiyan Apparels Limited demonstrates effective working capital management, characterized by efficient oversight of inventory, accounts receivable, cash balances, and short-term investments.

1.3 Origin of the Study

The internship is a key component of the MBA program at Daffodil International University. This report has been prepared to fulfill the curriculum requirements of the program. I completed my internship at Raiyan Apparels Limited, focusing my report on "Working Capital Management Practices at Raiyan Apparels Limited. I selected this topic in consultation with my academic supervisor, Professor Dr. Mostafa Kamal.

1.4 Objectives of the Study

The objective of preparing this report can be explained under two categories. They are-.

Broad Objective

The primary objective of this report is to assess the working capital management of Raiyan Apparels Limited.

Specific Objective:

i. To understand working capital management of Raiyan Apparels Limited.
ii. To analyze the working capital management of Raiyan Apparels Limited.
iii. To find out the problems of working capital management of Raiyan Apparels Limited.
iv. To recommend some possible solutions to overcome these problems.

1.5 Methodology of the Study

The methodology outlines the approach used to conduct this research. For this study, secondary data was primarily utilized. Raiyan Apparels Limited is an emerging name in the garments manufacturing industry in Bangladesh, and this research paper analyzes three years of data from 2019 to 2023.

1.5.1. Data Sources

This report is quantitative in nature, with data collected from both primary and secondary sources. Primary data was gathered through direct interactions with the Deputy Manager and other employees in the finance department of Raiyan Apparels Limited. Secondary data was sourced from the company's annual reports and previous studies on working capital management. Additional references included various websites, such as:

- Official website of Raiyan Apparels Limited
- Lanka Bangla Finance Ltd. website
- Dhaka Stock Exchange website
- Modern Working Capital Management (Text & Cases) by Frederick C. Scherr

1.5.2. Data Analysis

Given the quantitative nature of this report, data was tabulated, analyzed, and interpreted using various financial ratios and statistical tools. Most calculations were performed using Microsoft Excel.

1.6 Limitations of the study

The preparation of this report encountered several challenges that limited its scope. These limitations include:

- **Data Availability**: Maintaining the confidentiality of certain sensitive information presented a significant challenge in accessing the necessary data, thereby restricting the depth of analysis.
- **Duration of Internship**: Despite the internship lasting three months, it was difficult to gain comprehensive practical experience due to the constraints of the role and the nature of the tasks assigned.
- **Time Constraints**: The limited duration of the internship, combined with the heavy workload, constrained the time available for in-depth exploration and completion of tasks, preventing a thorough understanding of some key areas.
- **Strict HR Policies**: The organization's strict HR policies, especially regarding access to internal documents and personnel, further limited the scope of research and analysis, as some information was not accessible to interns.
- **Data Confidentiality**: In addition to the privacy concerns around certain data, strict protocols regarding data confidentiality also limited access to critical information necessary for a comprehensive report.

Despite these challenges, I have made every effort to ensure that the report is as thorough and informative as possible.

Chapter-2

Organizational Overview

2.1 Profile of the Company

Raiyan Apparels Limited is a new factory equipped with green technology in Khilkhet area, Dhaka, Bangladesh. This is a USGBC led gold certified 8 storied Ready Made Garments manufacturing plant with a total area of 179000 SQ. Feet.

Raiyan Apparels Limited ensures optimized good flow through live production monitoring and software monitored planning. Our work friendly design with modern machine skilled labor gives us the advantage. We ensure highest level of compliance. We are associated with WRAP USGBC and BNBC.

Patriot Eco Apparel Ltd a new factory equipped with green technology in Khilkhet area, Dhaka, Bangladesh. This is a USGBC led gold certified 8 storied Ready Made Garments manufacturing plant with a total area of 179000 SQ. Feet. Patriot Eco Apparel maintains the highest standard possible in woven RMG production. Guided by modern technologies where 1200 automatic machine capable of producing 1 million pieces of garments per month. The main products are generally shirts, pants and jackets. The new factory has a magnificent workplace layout with proper lighting and fresh air privilege. There are some spacious interior designs with a green landscape.

2.2 Mission

Raiyan Apparels Limited company goal is investing its business worldwide as well as providing the best value, timely delivery, satisfaction of the customer, better service and relativity.

2.3 Vision

Our company is directed to make garments products with quality assurance. Our vision is primarily to consider quality is always the result of high intention, sincere effort, intelligent direction and skillful execution.

Our vision is to satisfy the valued customers, meeting their expectations by providing quality products and services and deliveries on time, and offering them the best value in terms of quality, price, environment and other ethical practices with a world class professional personalized service.

Employee Welfare

Employee welfare, engagement and empowerment are at the heart of which we are. Our employees are the foundation of our business, enabling us to deliver on everything we do as a supplier, customer and partner. We have always been committed to equipping our people with the tools they need to reach their full potential – so that we in turn can reach ours as a company.

Corporate Social Responsibility

Integrating business, CSR and Sustainability goals strengthens the reliability, stability and competitiveness for our business and those of our customers. Corporate Social Responsibility and Sustainability are not secondary focuses of our business – they are integrated across everything we do. We are heavily committed to growing our business with no negative environmental, economic and social impacts.

Flexibility and Efficiency

A collaborative and partnership-based approach to service delivers fully customized solutions, flexibility and efficiency. We deliver the optimum levels of service, quality and price through our unique customer partnership model and commitment to long-term synergies. We have a deep-rooted legacy in building successful and long-lasting customer relationships.

Focused on Continuous Improvement

Focusing on continuous improvement enables us to deliver innovative product and process solutions across our value chain. We see our commitment to continuous improvement as the means to enhance our price competitiveness, product quality and the efficiency of our operations. Given that we are 100% managed within home country, the process choices we make are highly integrated, consistent and self-reinforcing. This enables us to constantly adapt, innovate and stay ahead in a rapidly changing industry and marketplace.

2.4 Main Products

Raiyan Apparels Limited company produces various kinds of products such as Poplin, Canvas, Rif stop, sheeting, T / C pocketing, Canvas peach, Twill peach, Spandex twill peach, Spandex poly twill, Spandex Honey, Herring Bon twill, Auto man, Spandex satin twill, Sluf twill, Panorama canvas etc. Raiyan Apparels Limited can produce more than 100 plus fabric products.

2.5 Machines

Raiyan Apparels Limited Company has lots of modern and updated machines to produce the products those are given below.

For the production of products, this company uses modern technology and machine. In the factory there are different types of machines available, these machines are modern to produce things. Such machines are, Goushen 12GG, Stoll 12GG, Goushen 7 GG, Goushen 5 GG, Goushen 3GG.

2.6 Work Environment

Firstly, this is a business in which they adopt their employee’s flat communication method. Where workers have a chance to share their experiences with others and discuss issues and challenges. It is easier for the fresher to cope up with the environment because every company employee is very supportive. You will get help a lot to much in early time, making fun while working as you don’t be bored, and each co-worker is very involved and helpful.

2.7 Quality

Quality is all for a business which shown your dedication and skillful performance with your production. It started from the primary stage and continued up to the final stage. Deploy skilled cotton selectors for selecting raw cotton from farm & markets all over with worldwide-accepted parameters reach their customers. They have set benchmarks in the national and international woven markets with quality and performance of their cotton. In future also, they look forward to innovative their Quality management system and continuously improve its effectiveness.

Chapter-3

Theoretical Aspects

3.1 Concept of Working Capital

Working capital management focuses on the relationship between a firm's short-term assets and liabilities. Its primary goal is to ensure that a company can maintain operations while meeting both short-term debts and operational expenses. This management encompasses the oversight of inventories, accounts receivable, accounts payable, and cash.

Working capital can be understood through two main concepts: quantitative and qualitative, sometimes referred to as the gross and net concepts. The quantitative concept defines working capital as the total amount of current assets, treating current assets as gross working capital. In contrast, the qualitative concept emphasizes the sources of financing, defining working capital as the excess of current assets over current liabilities.

3.2 Classification of Working Capital

The quantitative concept of working capital is referred to as gross working capital, while the qualitative concept is known as net working capital. Working capital can be classified in several ways, with the following important classifications:

a) Conceptual Classification

1. **Quantitative Concept**: This focuses on total current assets.
2. **Qualitative Concept**: This emphasizes the excess of current assets over current liabilities.

A working capital deficit occurs when current liabilities exceed current assets. This can be summarized as follows:

- **Gross Working Capital**: Total Current Assets
- **Net Working Capital**: Excess of Current Assets over Current Liabilities
- **Working Capital Deficit**: Excess of Current Liabilities over Current Assets

b) Classification Based on Financial Reports

Information about working capital can be obtained from the Balance Sheet or Profit and Loss Account, leading to the following classifications:

1. **Cash Working Capital**: This is derived from the Profit and Loss Account and has gained significance in recent years as it reflects the adequacy of cash flow within a business.
2. **Balance Sheet Working Capital**: This data is gathered from the Balance Sheet and can be further divided into three categories:
    - **Gross Working Capital**: Total current assets.

- **Net Working Capital**: Excess of current assets over current liabilities.
- **Working Capital Deficit**: Excess of current liabilities over current assets.

c) Classification Based on Variability

Gross Working Capital can be categorized into two types: permanent (or fixed) working capital and temporarily (or seasonal) working capital. This classification is important for making hedging decisions.

1. **Temporary Working Capital**: Also known as fluctuating or seasonal working capital, this represents the additional investment needed during prosperous or favorable seasons. It increases with business growth and is calculated as follows:

Temporary Working Capital=Total Current Assets−Permanent Current Assets

2. **Permanent Working Capital**: This refers to the portion of total current assets that remains constant despite variations in sales. There is always a minimum level of cash, inventories, and accounts receivable that must be maintained, even during periods of low sales. This is also referred to as regular working capital.

3.3 Factors Influencing Working Capital Requirement

Numerous factors influence the size and need for working capital in a business, making it impossible to establish a universal rule or formula. As noted, “There is no precise way to determine the exact amount of gross or net working capital for every enterprise.” Each company's data and specific challenges must be analyzed to ascertain the appropriate level of working capital. The optimal level of current assets depends on several determinants:

Determinants of Working Capital

1. **Nature of Business**:

Trading and industrial firms generally require more working capital than public utility services. For instance, a company involved in electricity supply may need fewer current assets due to the cash nature of transactions and reliance on fixed assets. Investment requirements also vary based on business size, product nature, and production methods.

2. **Conditions of Supply**:

If inventory supply is prompt and reliable, less working capital is needed. Conversely, seasonal or unpredictable supply necessitates greater investment in inventory. Seasonal variations in raw materials and parts can significantly affect working capital needs.

3. **Production Policy**:

Fluctuations in sales can lead to corresponding changes in production and, consequently, working capital requirements. Companies may implement off-season discounts to stabilize sales and production throughout the year, mitigating sharp variations in working capital needs.

4. **Seasonal Operations**:

Certain industries, like sugar production, require more working capital during peak seasons, as production and sales cannot always be shifted to quieter periods.

5. **Credit Availability**:

Favorable credit terms from banks and suppliers can reduce the need for working capital. In contrast, limited credit availability may force companies to maintain higher working capital levels to manage risks.

6. **Credit Policy of Enterprises**:

Businesses that sell primarily for cash, or receive payments in advance, will require less working capital than those that extend credit and wait months for payment. A well-defined credit policy based on customer creditworthiness is essential to avoid tying up unnecessary funds in receivables.

7. **Growth and Expansion**:

As an enterprise grows, its working capital needs increase. Although the exact relationship between sales volume and working capital requirements is complex, advance planning is crucial for accommodating this growth.

8. **Price Level Changes**:

Rising price levels increase the amount of working capital needed for the same level of current assets, with varying impacts across different industries.

9. **Circulation of Working Capital**:

The efficiency of working capital circulation—time taken to complete the cash cycle—affects working capital requirements. Improved circulation reduces the need for working capital.

10. **Volume of Sales**:

There is a direct correlation between sales volume and working capital needs; as sales increase, more capital is required for inventory and receivables.

11. **Liquidity and Profitability**:

Liquidity and profitability often have an inverse relationship. Increased working capital relative to sales can enhance liquidity but may also reduce profitability by tying up funds.

12. **Management Ability**:

Effective coordination in production and distribution can minimize working capital needs by reducing excess inventory and bad debts.

13. **External Environment**:

The development of financial institutions and improvements in communication and transportation can lower working capital needs by making funds more accessible when required.

3.4 Analysis of Working Capital Method

Analyzing the working capital position of a business is essential for several reasons:

1. **Insight from Financial Statements**: Understanding the working capital position helps reveal important information when examining financial statements.
2. **Trend Detection**: Management can identify trends and take corrective actions based on the analysis if needed.
3. **Historical Comparison**: Analyzing changes over time provides insights that can inform future guidelines and strategies.

Tools for Analyzing Working Capital

Two key tools are commonly used for this analysis:

1. **Funds Flow Analysis**:

This analysis tracks how funds have been obtained and used within the business. It assesses changes in working capital components by comparing current assets and current liabilities from the balance sheet at the beginning and end of a specific period. This technique highlights changes in current assets and the sources of working capital but does not address the effectiveness of working capital utilization or the overall financial position improvement.

2. **Ratio Analysis**:

This widely used technique examines various aspects of working capital by computing specific ratios and drawing conclusions based on trends compared to established benchmarks. Key areas of focus include:

a. Liquidity of Working Capital:

This analysis is valuable for short-term creditors and internal management. It indicates the likelihood of timely payments and assesses the margin of safety in unexpected situations. Important ratios for this analysis include the **current ratio** and **quick ratio**, which evaluate the sufficiency of working capital.

b. Circulation of Working Capital:

This analysis evaluates how efficiently working capital is utilized. Various turnover ratios—such as inventory turnover, receivables turnover, and cash turnover—are calculated to assess the efficiency of working capital use. Higher turnover ratios generally indicate lower working capital requirements.

Additionally, this analysis helps determine whether the size of working capital is excessive, inadequate, or adequate for the business. Analysts can compute working capital in terms of “months’ cost of production” and “months’ average sales turnover” to evaluate sufficiency. Comparing these ratios against industry benchmarks or historical data can provide further insights.

Analyzing the relationship between working capital and other variables, such as output and sales over different periods, can also reveal growth trends. Utilizing index numbers, percentages, and ratios aids in this comprehensive assessment.

3.5 Limitations of Excessive Working Capital

Excessive working capital can pose several dangers for a business, including:

Dangers of Excessive Working Capital

1. **Heavy Investment in Fixed Assets**:

A company may invest significantly in fixed assets that are not justified by actual sales, leading to overcapitalization.

2. **Reckless Purchase of Materials**:

Excessive working capital can result in hasty inventory purchases, leading to dormant, slow-moving, or obsolete stock. This can also increase costs due to mishandling, waste, or theft.

3. **Speculative Tendencies**:

Increased speculative behavior may arise, encouraging higher dividend distributions when profits are up. This can harm the company’s reputation if speculative losses occur later.

4. **Liberal Credit**:

Offering liberal credit can inflate accounts receivable and lead to poor payment practices, increasing the risk of bad debts.

5. **Carelessness**:

An abundance of working capital can foster a careless attitude toward costs, negatively impacting profitability.

Dangers of Insufficient Working Capital

1. **Difficulty Implementing Operating Plans**:

Lack of working capital can hinder the execution of operational plans, making it challenging to achieve profit targets.

2. **Inability to Pay Dividends**:

Insufficient funds can make it difficult to distribute dividends to shareholders.

3. **Reduced Bargaining Power**:

Limited working capital diminishes bargaining capacity for credit purchases, resulting in missed cash discounts.

4. **Loss of Reputation**:

A company may lose its reputation if it struggles to meet day-to-day financial commitments.

5. **Operating Inefficiencies**:

Financial constraints can lead to operational inefficiencies when a business cannot fulfill its financial obligations.

6. **Stagnated Growth**:

A lack of available funds can stifle growth, as there will be insufficient capital for new projects.

7. **High Borrowing Costs**:

In times of need, a company may have to resort to borrowing at exorbitant interest rates.

8. **Forced Sales at Reduced Prices**:

To generate cash, a business may have to sell products at significantly reduced prices, harming its overall image and profitability.

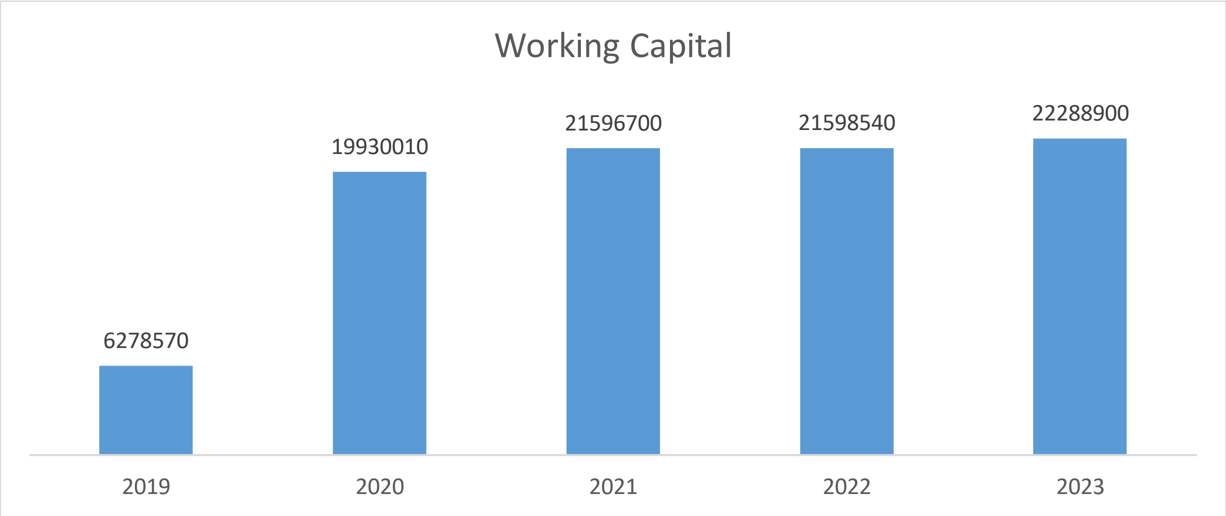
Chapter-4
Analysis and Discussion

4.1 Working Capital

The garments industry must determine both its immediate cash needs for expenses and its overall working capital requirements. Working capital refers to the minimum amount of liquid capital necessary to keep the firm operational. Specifically, it encompasses the funds required to transition from cash to work in progress to accounts receivable and back to cash. Current assets consist of cash and other assets that can be quickly converted into cash, such as work in progress and accounts or notes receivable. Current liabilities are obligations that are due within the next 12 months.

Working Capital = Current Assets – Current Liabilities

Particulars	2019	2020	2021	2022	2023
Current Assets	17014570	31428510	35251400	37856940	40325400
Current Liabilities	10736000	11498500	13654700	16258400	18036500
Working Capital	**6278570**	**19930010**	**21596700**	**21598540**	**22288900**



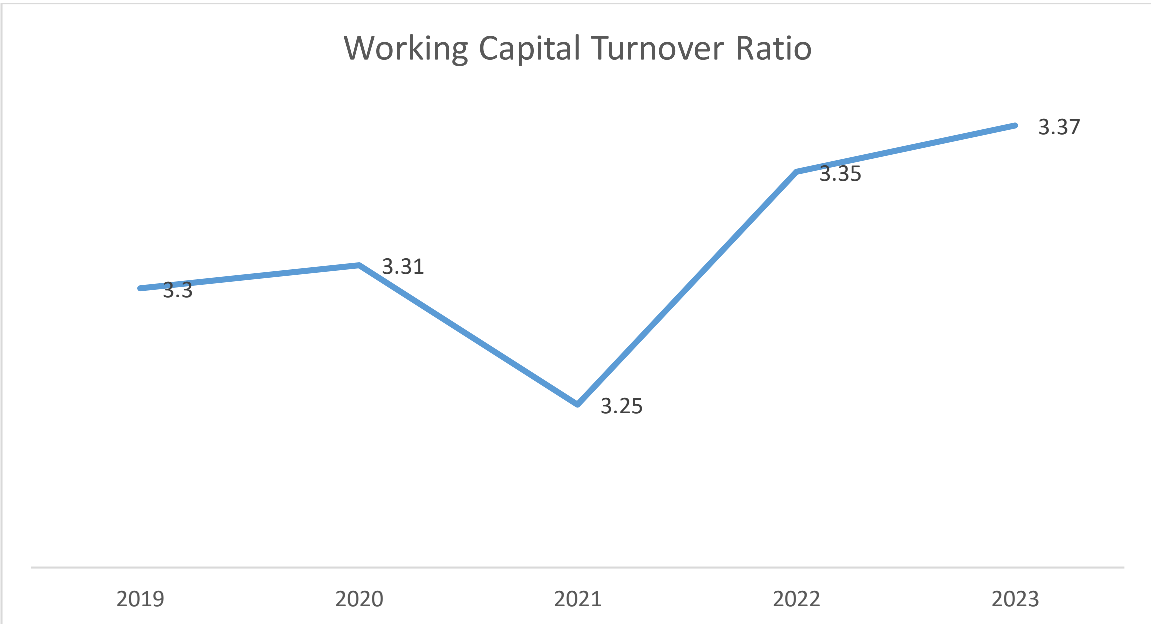
Interpretation: Between 2019 and 2023, the garments financial data reveals a steady increase in both current assets and working capital. Current assets rose from approximately 17 million in 2019 to over 40 million in 2023, indicating robust growth and improved liquidity. Current liabilities also grew, from about 10.7 million in 2019 to approximately 18 million in 2023, suggesting that the firm is managing its obligations effectively despite their increase. The working capital, which represents the difference between current assets and current liabilities, saw a significant jump from around 6.3 million in 2019 to nearly 22.3 million in 2023, reflecting enhanced financial health and the firm's ability to sustain its operations and cover short-term obligations.

4.2 Working Capital Turnover Ratio

The working capital turnover ratio is an activity metric that assesses how efficiently a company generates revenue relative to its investment in working capital. Working capital is calculated as the difference between current assets and current liabilities. This ratio indicates the amount of revenue produced for each dollar invested in working capital, highlighting the effectiveness of the firm in utilizing its short-term financial resources to drive sales.

Working Capital Turnover Ratio = Net Revenue / Working capital

Particulars	2019	2020	2021	2022	2023
Net Revenue	20772000	66035000	70254500	72556520	75012350
Working capital	6278570	19930010	21596700	21598540	22288900
Working Capital Turnover Ratio	**3.30**	**3.31**	**3.25**	**3.35**	**3.37**



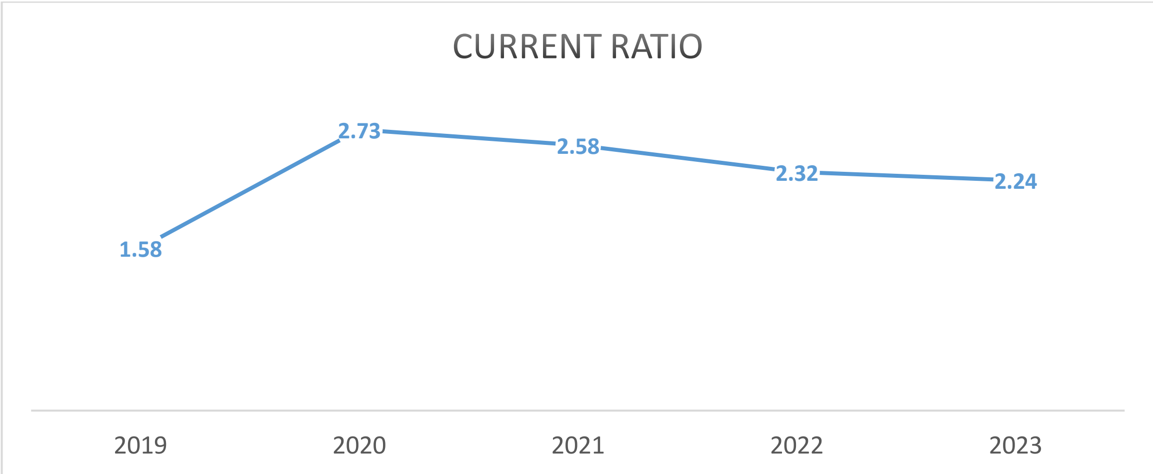
Interpretation: From 2019 to 2023, the firm demonstrates a strong ability to generate revenue relative to its working capital, as reflected in the working capital turnover ratio. Starting at 3.30 in 2019, the ratio shows consistent improvement, reaching 3.37 by 2023. This indicates that for every dollar invested in working capital, the firm produced approximately 3.37 in revenue. The relatively stable ratios across these years suggest effective management of working capital, allowing the firm to maintain operational efficiency while supporting revenue growth. The increase in working capital over the period, alongside rising net revenue, highlights the firm's ability to effectively leverage its resources to sustain and enhance its business operations. Overall, this trend points to a solid financial position and operational effectiveness in utilizing working capital to drive sales.

4.3 Current Ratio

The current ratio, also known as the working capital ratio, measures the relative proportion of a company's current assets to its current liabilities. This ratio is designed to assess the business's ability to cover its current liabilities using its current assets.

Current Ratio = Current Assets / Current Liabilities

Particulars	2019	2020	2021	2022	2023
Current Assets	17014570	31428510	35251400	37856940	40325400
Current Liabilities	10736000	11498500	13654700	16258400	18036500
Current Ratio	**1.58**	**2.73**	**2.58**	**2.32**	**2.24**



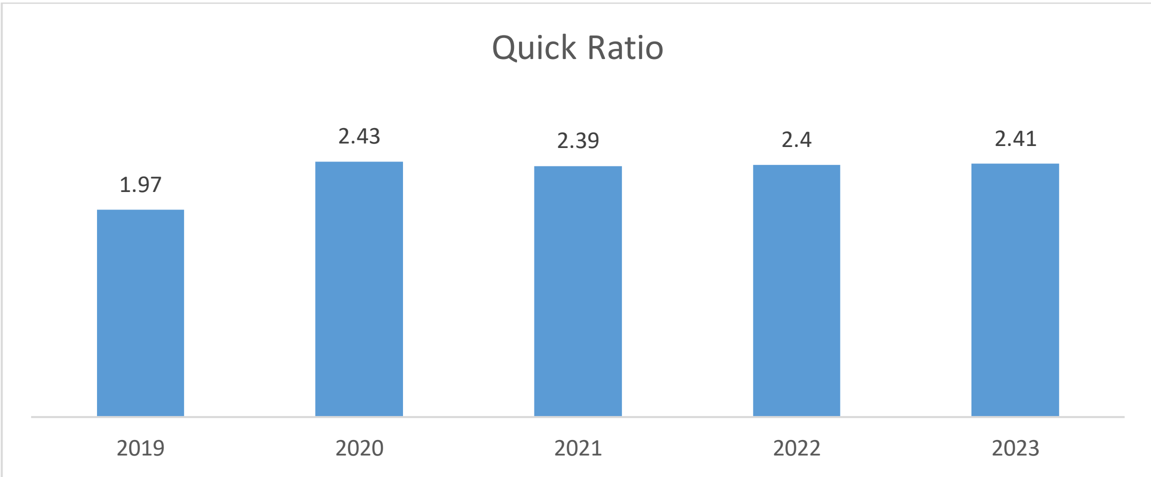
Interpretation: The current ratio from 2019 to 2023 illustrates the firm's liquidity position, showing its ability to cover current liabilities with current assets. In 2019, the current ratio was 1.58, indicating that the firm had 1.58 in current assets for every taka of current liabilities. This ratio increased significantly to 2.73 in 2020, reflecting improved financial health. However, it gradually declined to 2.24 by 2023. Despite this decrease, the firm maintains a current ratio above 2, which generally suggests a strong liquidity position and a comfortable margin to meet short-term obligations. The trend indicates that while the firm has been able to accumulate assets, the rate of increase in current liabilities has also been substantial.

4.4 Quick Ratio

The quick ratio, also known as the acid-test ratio, assesses a company's ability to meet its short-term financial obligations. It focuses on quick assets, which are current assets that can be rapidly converted into cash at or near their book values. The formula for the quick ratio is:

Quick Ratio = (Current Assets – Inventories) / Current Liabilities

Particulars	2019	2020	2021	2022	2023
Current Assets excluding inventories	15514370	27969510	30254580	35214830	36217590
Current Liabilities	7873600	11498500	12658940	14652310	15001240
Quick Ratio	**1.97**	**2.43**	**2.39**	**2.40**	**2.41**



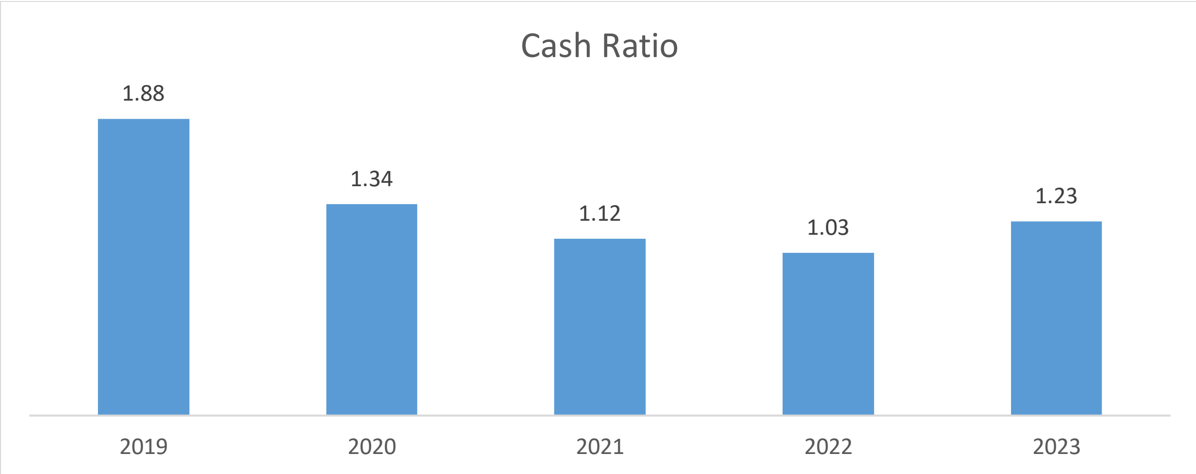
Interpretation: The quick ratio from 2019 to 2023 highlights the firm's ability to meet its short-term financial obligations without relying on inventory sales. Starting at 1.97 in 2019, the ratio increased to 2.43 in 2020, indicating strong liquidity. It remained relatively stable over the following years, with values of 2.39 in 2021, 2.40 in 2022, and 2.41 in 2023. These figures suggest that the firm consistently maintains a solid cushion of liquid assets to cover its current liabilities, with more than 2.40 in quick assets for every taka of current liabilities.

4.5 Cash Ratio

The **Cash Ratio** is a financial metric used to evaluate a company's ability to cover its short-term obligations with its most liquid assets. It is a conservative measure of liquidity, as it considers only cash and cash equivalents, excluding receivables or inventories, which might not be as readily converted into cash.

Cash Ratio = Cash and Cash Equivalents / Current Liabilities

Particulars	2019	2020	2021	2022	2023
Cash and Cash Equivalents	14768478	15370382	14240089	15068993	18513108
Current Liabilities	7873600	11498500	12658940	14652310	15001240
Cash Ratio	**1.88**	**1.34**	**1.12**	**1.03**	**1.23**



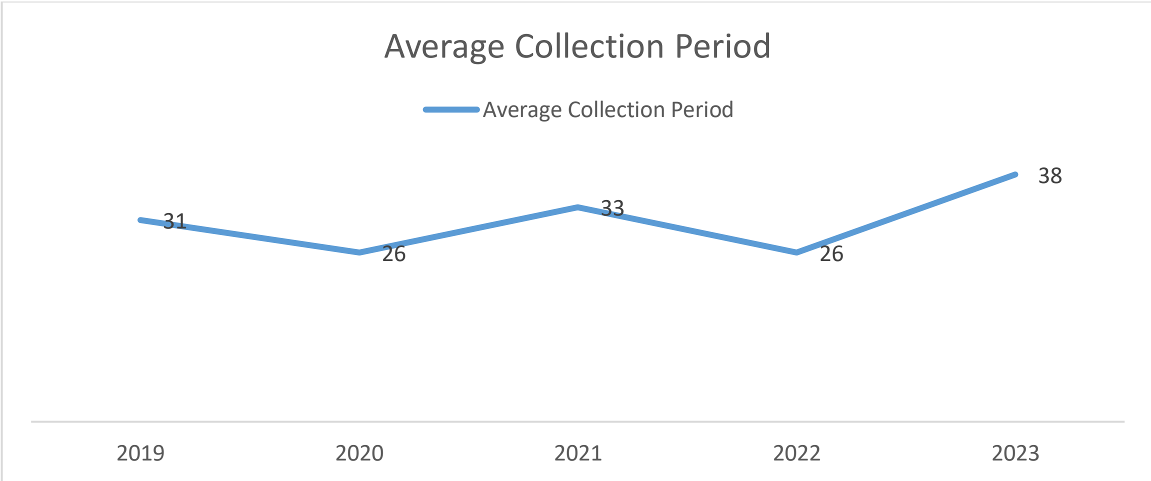
Interpretation: The cash ratio for Raiyan Apparels Limited has demonstrated a fluctuating trend over the past five years. In 2019, the cash ratio was 1.88, indicating a strong liquidity position, with enough cash and cash equivalents to cover nearly twice its current liabilities. However, by 2020, the ratio dropped to 1.34, still above 1, which suggests the company maintained a healthy ability to meet its short-term obligations. The cash ratio further decreased to 1.12 in 2021, indicating a slight decline in liquidity, but it remained sufficient to cover its current liabilities. In 2022, the ratio fell to 1.03, signaling a closer balance between cash resources and liabilities, and indicating a potential reduction in the company's liquidity buffer. By 2023, the ratio improved to 1.23, showing a recovery in liquidity, as Raiyan Apparels Limited had slightly more than enough cash to cover its short-term obligations.

4.6 Average Collection Period

The average collection period represents the estimated number of days it takes for a business to collect payments due from accounts receivable. For an architecture firm, accounts receivable typically constitutes the largest single current asset, making its liquidity vital for the firm's financial health. Timely conversion of accounts receivable into cash is crucial for maintaining financial stability. The formula for calculating the average collection period (in days) is:

Average Collection Period = Accounts Receivable / Revenue Per Day

Particulars	2019	2020	2021	2022	2023
Account Receivables	5504750	10120000	12250000	11250000	13500000
Revenue Per day	65700000/365	140500000/365	134000000/365	158500000/365	128500000/365
Average Collection (in days)	**31**	**26**	**33**	**26**	**38**



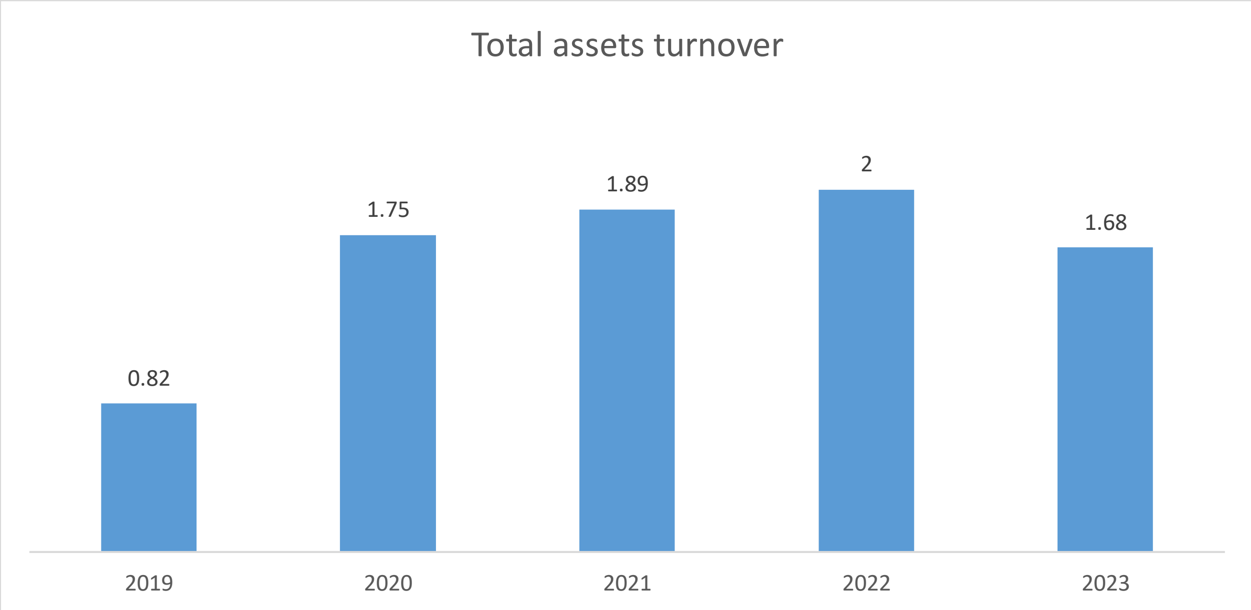
Interpretation: The average collection period from 2019 to 2023 illustrates the time it takes for the firm to collect payments on its accounts receivable. In 2019, the average collection period was 31 days, indicating a relatively efficient collection process. This improved significantly to 26 days in 2020, reflecting enhanced cash flow management. However, in 2021, the period increased to 33 days, suggesting a potential slowdown in collections or an increase in outstanding receivables. The average collection period then decreased again to 26 days in 2022, indicating a recovery in collection efficiency. Yet, in 2023, it rose to 38 days, highlighting a growing concern about liquidity and the timeliness of receivable collections.

4.7 Total Assets Turnover Ratio

Asset turnover is a financial ratio that assesses how efficiently a company utilizes its assets to generate revenue. Typically, companies with low profit margins exhibit higher asset turnover, while those with high profit margins tend to have lower asset turnover. The formula for calculating total asset turnover is:

Total Asset Turnover = Net Revenue / Total Assets

Particulars	2019	2020	2021	2022	2023
Net revenue	20772000	66035000	73025000	70145200	65102300
Total assets	25443270	37733910	38542600	35024580	38568020
Total assets turnover	**0.82**	**1.75**	**1.89**	**2.00**	**1.68**



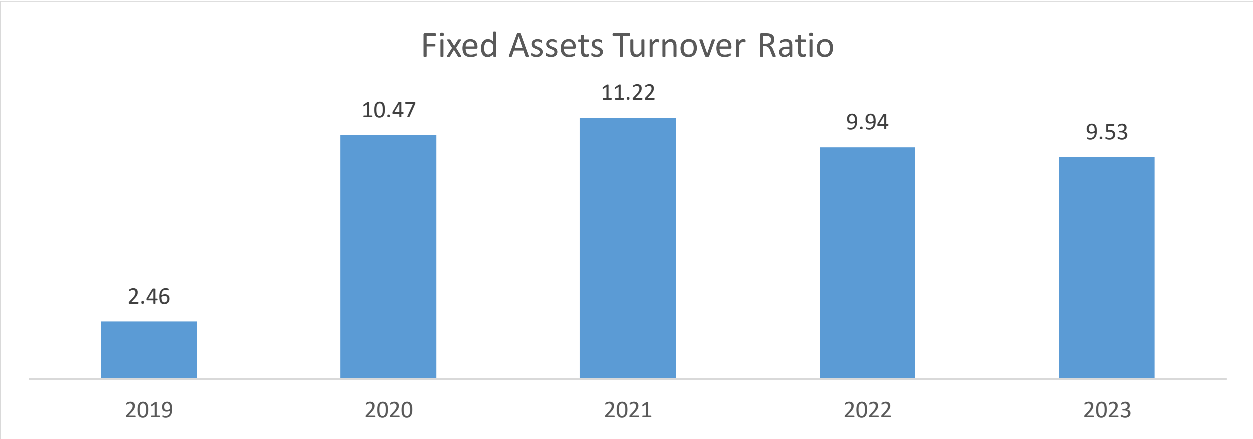
Interpretation: The total asset turnover ratio from 2019 to 2023 highlights the firm's efficiency in utilizing its assets to generate revenue. In 2019, the ratio was 0.82, indicating that the firm generated $0.82 in revenue for every dollar of assets, reflecting lower efficiency. This improved significantly in 2020 to 1.75, showcasing a substantial increase in asset utilization. The ratio continued to rise to 1.89 in 2021 and reached its peak at 2.00 in 2022, indicating the firm was effectively leveraging its assets to drive sales. However, in 2023, the ratio decreased to 1.68, suggesting a slight decline in asset efficiency, potentially due to changes in revenue or asset levels.

4.8 Fixed Asset Turnover Ratio

The fixed-asset turnover ratio is commonly used by analysts to evaluate a company's operating performance. This ratio compares net revenue to fixed assets, specifically assessing how effectively a company generates net revenue from its investments in fixed assets, such as property, plant, and equipment (PP&E), after accounting for depreciation. Generally, a higher fixed-asset turnover ratio signifies that a company is more efficient in using its fixed asset investments to generate revenue.

Fixed Assets Turnover Ratio = Net Revenue / Total Fixed Assets

Particulars	2019	2020	2021	2022	2023
Net revenue	20772000	66035000	73025000	70145200	65102300
Total fixed assets	8428700	6305400	6508300	7050250	6830500
Fixed assets turnover ratio	**2.46**	**10.47**	**11.22**	**9.94**	**9.53**



Interpretation: The fixed-asset turnover ratio for the years 2019 to 2023 shows a notable trend in the company's operational efficiency. In 2019, the ratio was 2.46, indicating a relatively low ability to generate revenue from fixed assets. This figure dramatically increased to 10.47 in 2020, suggesting a significant improvement in asset utilization, likely due to effective management or increased sales. The ratio peaked at 11.22 in 2021, reflecting optimal performance in leveraging fixed assets to drive revenue. However, in the following years, the ratio gradually decreased to 9.94 in 2022 and further to 9.53 in 2023. While these figures still indicate efficient use of fixed assets, the decline suggests potential challenges in maintaining revenue growth or efficiency, warranting closer examination of operational strategies and market conditions. Overall, the trend illustrates the company’s fluctuating effectiveness in using its fixed assets to generate net revenue over the observed period.

4.9 Stock Turnover Ratio

Stock Turnover Ratio (also called Inventory Turnover Ratio) is a financial metric used to assess how efficiently a company manages its inventory. It measures the number of times a company's inventory is sold or used up during a period, typically over a year.

Stock Turnover Ratio: Cost of Goods Sold/Average Inventory

Particulars	2019	2020	2021	2022	2023
Cost of Goods Sold	1155905618	1249812587	1787684691	979938645	1010060687
Average Inventory	191456393	210190347	154385280	208747336	335136272
Stock Turnover Ratio	**6.03**	**5.95**	**11.58**	**4.69**	**3.01**

Interpretation: The Stock Turnover Ratio of the company shows a noticeable fluctuation from 2019 to 2023, providing insights into its inventory management and sales efficiency. In 2019, the ratio stood at 6.03, indicating a fairly efficient turnover of inventory. However, in 2020, the ratio slightly decreased to 5.95, suggesting a minor slowdown in inventory movement, likely influenced by factors like market conditions or operational changes. A significant increase in 2021 to 11.58 indicates an exceptionally efficient year, where inventory was sold and replenished quickly, potentially due to strong demand or effective inventory control. However, by 2022, the ratio dropped significantly to 4.69, signaling a decline in inventory turnover, which could imply slower sales, overstocking, or a change in product mix. The ratio continued to fall further in 2023 to 3.01, highlighting a continued slowdown in inventory movement. This ongoing decline may indicate challenges such as reduced demand, excess inventory buildup, or less efficient sales strategies, requiring attention to optimize inventory management and improve sales performance moving forward.

Chapter-05

Findings, Recommendations andConclusion

5.1 Findings of the Study

1) **Working Capital Trends:** Raiyan Apparels Limited demonstrated consistent financial growth, marked by a steady increase in current assets and working capital over the years. Despite a corresponding rise in current liabilities, the company effectively managed its obligations, ensuring a strong liquidity position.
2) **Efficiency in Working Capital Management:** The firm showed an improvement in its ability to generate revenue using working capital. This reflects effective utilization of resources to support operational efficiency and revenue generation.
3) **Liquidity Indicators:**

- **Current Ratio:** The company maintained a strong liquidity position, with current assets consistently surpassing current liabilities, although there was a slight decline in recent years.
- **Quick Ratio:** The quick ratio remained stable and indicated that the company effectively managed its liquid assets, ensuring its ability to meet short-term obligations without relying on inventory.
- **Cash Ratio:** While the cash ratio started at a strong level, it showed fluctuations, indicating periods where the company may have faced constraints in maintaining a robust cash reserve.

4) **Accounts Receivable Management:** The average time taken to collect payments from receivables fluctuated. Periods of efficient collection were followed by delays, suggesting potential challenges in maintaining consistency in receivables management.
5) **Asset Utilization:**

- **Total Asset Turnover:** The company showed an overall improvement in utilizing its assets to generate revenue, though there were fluctuations that reflected varying levels of efficiency.
- **Fixed Asset Turnover:** Significant improvements in the use of fixed assets were noted during certain periods, indicating strong operational efficiency. However, the ratio later showed signs of a slight decline, signaling areas for optimization.
- **Inventory Management:** The efficiency of inventory management varied over the years. Periods of strong performance highlighted effective inventory turnover, while other periods indicated potential overstocking or challenges in aligning inventory with market demand.

5.2 Recommendations

1) **Enhance Working Capital Efficiency:** Focus on streamlining the cash conversion cycle by improving receivables collection processes and optimizing inventory levels. Implement advanced tools such as demand forecasting software to align inventory management with actual market demand and reduce holding costs.
2) **Strengthen Liquidity Position:** Maintain a strong current ratio by carefully balancing increases in current liabilities with growth in current assets. Bolster cash reserves through better cash flow management and retained earnings to ensure sufficient liquidity for operational needs.
3) **Improve Accounts Receivable Management:** Establish stricter credit policies and set clear timelines for follow-ups on overdue payments to reduce delays in receivables collection. Regularly review customer payment patterns and implement incentive programs for early payments.
4) **Optimize Asset Utilization:** Regularly evaluate the performance of existing assets to maximize their contribution to revenue generation. Avoid over-investing in fixed assets without a clear plan for leveraging them effectively to support growth.
5) **Refine Inventory Management:** Adopt lean inventory practices to minimize excess stock while ensuring sufficient supply to meet customer demands. Use predictive analytics to adjust inventory levels dynamically based on seasonal trends and market changes.
6) **Ensure Financial Stability:** Monitor key financial metrics regularly to identify and address potential liquidity or efficiency issues promptly. Prepare contingency plans for economic fluctuations, including strategies for maintaining a healthy cash reserve and managing short-term obligations.
7) **Focus on Continuous Improvement:** Invest in employee training on financial and inventory management to enhance internal capabilities. Leverage technology for real-time monitoring of working capital components to make data-driven decisions and improve overall efficiency.

By implementing these strategies, Raiyan Apparels Limited can further strengthen its working capital management, ensuring sustainable growth and operational efficiency.

5.3 Conclusion

This report highlights the crucial role of managing a company's working capital, a key financial aspect that ensures the organization remains solvent and operational. Effective working capital management is essential, as mismanagement can lead to severe consequences. Major applications of this analysis include performance evaluation, monitoring creditworthiness, and making financial projections. Working capital is vital across all industries manufacturing, services, and others as it supports daily operations and provides necessary liquidity. Additionally, efficient working capital finance can reduce overall funding needs for current assets, enhancing the turnover ratio.

The company enjoys a strong liquidity position and consistently meets its obligations to both creditors and debtors. By relying primarily on working capital facilities, the company has cultivated positive relationships with stakeholders, demonstrating a well-balanced approach to working capital management.

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